

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7808

BILL NUMBER: SB 463

NOTE PREPARED: Mar 4, 2003

BILL AMENDED: Feb 27, 2003

SUBJECT: Medicaid Case-Mix Reimbursement Changes.

FIRST AUTHOR: Sen. Dillon

FIRST SPONSOR: Rep. Klinker

BILL STATUS: As Passed - Senate

FUNDS AFFECTED: X

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: (Amended) This bill establishes target statewide average occupancy rates for health facilities that receive Medicaid funding. The bill requires the Office of Medicaid Policy and Planning (OMPP) to: (1) define "fixed costs" and "variable costs" for the state Medicaid case-mix reimbursement system; and (2) work with the health facility associations to develop a process for prospective delicensure of health facility beds.

Effective Date: (Amended) Upon passage; July 1, 2003.

Explanation of State Expenditures: (Revised) *Summary:* This bill provides target statewide average occupancy rates for the nursing home industry. The bill also establishes requirements for OMPP regarding the case-mix reimbursement system. The requirements should be able to be accomplished within the resources available to OMPP.

Background on the Target Statewide Average Occupancy Rates: This bill establishes a target for statewide average occupancy rates for licensed comprehensive beds that are also Medicaid-certified. (As of October 2002, the Department of Health reported only 801 non-certified licensed comprehensive care beds, so for the purposes of illustration, this note will use statewide reports for all licensed beds.) The bill establishes the following calendar year targets for statewide occupancy rates: 75% for 2004 and 85% for 2005 and years thereafter.

The bill allows OMPP to adopt statewide policies including the revision of the reimbursement system in order to facilitate the achievement of these targets.

In July 2002, OMPP implemented a minimum occupancy standard of 65% on the direct, indirect, and administrative components of the long-term care rate structure for Medicaid reimbursement of nursing home care. In December 2002, the State Department of Health reported that comprehensive care beds were being

delicensed at a rapid pace. OMPP has published the intent to increase the minimum occupancy standard to 75% in 2003, 85% in 2004, and 90% in 2005. The table below shows occupancy data for licensed comprehensive care beds in the state as reported by the Department of Health.

Occupancy Rate for Comprehensive Beds, Indiana 1990 -2002.

Year	Number of Comprehensive Beds	Occupancy Rate of Comprehensive beds	Number of Facilities
1990	55,341	81.51%	
1993	55,015	82.62%	
1994	54,634	83.09%	589
1996	57,472	70.90%	
1997	57,640	75.49%	
1998	57,995	77.77%	
1999	58,097	75.83%	581
2000	57,520	73.57%	566
2001*	55,330	75.96%	
2002*	37,191		564

** Preliminary data from the State Department of Health. These numbers are subject to further refinement.*

If the number of licensed comprehensive nursing facility beds has declined to the extent indicated above, it is possible that the 90% occupancy target has already been met.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Zach Cattell, Legislative Liaison for the Department of Health, (317)-233-2170. And the “2000 County Long-Term Care Statistical Profile”, Indiana State Department of Health, on the Web at [http://www.in.gov/isdh/regsvcs/acc/lcstats/ charactersitics.htm](http://www.in.gov/isdh/regsvcs/acc/lcstats/charactersitics.htm)

Fiscal Analyst: Alan Gossard, 317-233-3546